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(Original Signature of Member)

107TH CONGRESS
2^D SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. LAFALCE (for himself, **[insert attached list of cosponsors]**) introduced
the following bill; which was referred to the Committee on

A BILL

To

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Corporate Responsi-
5 bility Act of 2002”.



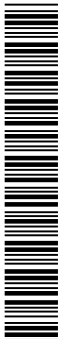
1 **SEC. 2. DISGORGEMENT REQUIRED.**

2 (a) ADMINISTRATIVE ACTIONS.—Within 30 days
3 after the date of enactment of this Act, the Securities and
4 Exchange Commission shall prescribe regulations to re-
5 quire disgorgement, in a proceeding pursuant to its au-
6 thority under section 21A, 21B, or 21C (15 U.S.C. 78u-
7 1, 78u-2, 78u-3), of salaries, commissions, fees, bonuses,
8 options, profits from securities transactions, and losses
9 avoided through securities transactions obtained by an of-
10 ficer or director of an issuer during or for a fiscal year
11 or other reporting period if such officer or director en-
12 gaged in misconduct resulting in, or made or caused to
13 be made in, the filing of a financial statement for such
14 fiscal year or reporting period which—

15 (1) was at the time, and in the light of the cir-
16 cumstances under which it was made, false or mis-
17 leading with respect to any material fact; or

18 (2) omitted to state a material fact necessary in
19 order to make the statements made, in the light of
20 the circumstances in which they were made, not mis-
21 leading,

22 (b) JUDICIAL PROCEEDINGS.—Section 21(d) of the
23 Securities Exchange Act of 1934 (15 U.S.C. 78u) is
24 amended by adding at the end the following new para-
25 graph:



1 “(5) ADDITIONAL DISGORGEMENT AUTHORITY.—In
2 any action or proceeding brought or instituted by the
3 Commission under the securities laws against any
4 person—

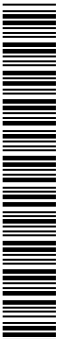
5 “(A) for engaging in misconduct resulting in, or
6 making or causing to be made in, the filing of a fi-
7 nancial statement which—

8 “(i) was at the time, and in the light of the
9 circumstances under which it was made, false
10 or misleading with respect to any material fact;
11 or

12 “(ii) omitted to state a material fact nec-
13 essary in order to make the statements made,
14 in the light of the circumstances in which they
15 were made, not misleading; or

16 “(B) for engaging in, causing, or aiding and
17 abetting any other violation of the securities laws or
18 the rules and regulations thereunder,

19 such person, in addition to being subject to any other ap-
20 propriate order, may be required to disgorge any or all
21 benefits received from any source in connection with the
22 conduct constituting, causing, or aiding and abetting the
23 violation, including (but not limited to) salary, commis-
24 sions, fees, bonuses, options, profits from securities trans-



1 actions, and losses avoided through securities trans-
2 actions.”.

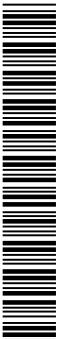
3 **SEC. 3. CEO AND CFO ACCOUNTABILITY FOR DISCLOSURE.**

4 (a) REGULATIONS REQUIRED.—The Securities and
5 Exchange Commission shall by rule require, for each com-
6 pany filing periodic reports under section 13 or 15(d) of
7 the Securities Exchange Act of 1934 (15 U.S.C. 78m,
8 78o(d)), that the principal executive officer or officers and
9 the principal financial officer or officers, or persons per-
10 forming similar functions, certify in each annual or quar-
11 terly report filed or submitted under either such section
12 of such Act that—

13 (1) the signing officer has reviewed the report;

14 (2) based on the officer’s knowledge, the report
15 does not contain any untrue statement of a material
16 fact or omit to state a material fact necessary in
17 order to make the statements made, in light of the
18 circumstances under which such statements were
19 made, not misleading;

20 (3) based on such officer’s knowledge, the fi-
21 nancial statements, and other financial information
22 included in the report, fairly present in all material
23 respects the financial condition and results of oper-
24 ations of the issuer as of, and for, the periods pre-
25 sented in the report;



1 (4) the signing officers—

2 (A) are responsible for establishing and
3 maintaining internal controls;

4 (B) have designed such internal controls to
5 ensure that material information relating to the
6 issuer and its consolidated subsidiaries is made
7 known to such officers by others within those
8 entities, particularly during the period in which
9 the periodic reports are being prepared;

10 (C) have evaluated the effectiveness of the
11 issuer's internal controls as of a date within 90
12 days prior to the report; and

13 (D) have presented in the report their con-
14 clusions about the effectiveness of their internal
15 controls based on their evaluation as of that
16 date;

17 (5) the signing officers have disclosed to the
18 issuer's auditors and the audit committee of the
19 board of directors (or persons fulfilling the equiva-
20 lent function)—

21 (A) all significant deficiencies in the design
22 or operation of internal controls which could ad-
23 versely affect the issuer's ability to record, proc-
24 ess, summarize, and report financial data and



1 have identified for the issuer's auditors any ma-
2 terial weaknesses in internal controls; and

3 (B) any fraud, whether or not material,
4 that involves management or other employees
5 who have a significant role in the issuer's inter-
6 nal controls; and

7 (6) the signing officers have indicated in the re-
8 port whether or not there were significant changes
9 in internal controls or in other factors that could
10 significantly affect internal controls subsequent to
11 the date of their evaluation, including any corrective
12 actions with regard to significant deficiencies and
13 material weaknesses.

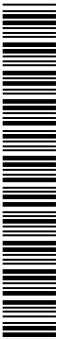
14 (b) DEADLINE.—The rules required by subsection (a)
15 shall be effective not later than 30 days after the date
16 of enactment of this Act.

17 **SEC. 4. REMOVAL OF UNFIT CORPORATE OFFICERS.**

18 (a) REMOVAL IN JUDICIAL PROCEEDINGS.—

19 (1) SECURITIES ACT OF 1933.—Section 20(e)
20 of the Securities Act of 1933 (15 U.S.C. 77t(e)) is
21 amended by striking “substantial unfitness” and in-
22 serting “unfitness”.

23 (2) SECURITIES EXCHANGE ACT OF 1934.—
24 Section 21(d)(2) of the Securities Exchange Act of



1 1934 (15 U.S.C. 78u(d)(2)) is amended by striking
2 “substantial unfitness” and inserting “unfitness”.

3 (b) REMOVAL IN ADMINISTRATIVE PROCEEDINGS.—

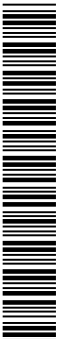
4 (1) SECURITIES ACT OF 1933.—Section 8A of
5 the Securities Act of 1933 (15 U.S.C. 77h–1) is
6 amended by adding at the end the following new
7 subsection:

8 “(f) AUTHORITY TO PROHIBIT PERSONS FROM SERV-
9 ING AS OFFICERS OR DIRECTORS.—In any cease-and-de-
10 sist proceeding under subsection (a), the Commission may
11 issue an order to prohibit, conditionally or unconditionally,
12 and permanently or for such period of time as it shall de-
13 termine, any person who has violated section 17(a)(1) of
14 this title from acting as an officer or director of any issuer
15 that has a class of securities registered pursuant to section
16 12 of the Securities Exchange Act of 1934 or that is re-
17 quired to file reports pursuant to section 15(d) of that
18 Act if the person’s conduct demonstrates unfitness to
19 serve as an officer or director of any such issuer.”.

20 (2) SECURITIES EXCHANGE ACT OF 1934.—

21 Section 21C of the Securities Exchange Act of 1934
22 (15 U.S.C. 78u–3) is amended by adding at the end
23 the following new subsection:

24 “(f) AUTHORITY TO PROHIBIT PERSONS FROM SERV-
25 ING AS OFFICERS OR DIRECTORS.—In any cease-and-de-



1 sist proceeding under subsection (a), the Commission may
2 issue an order to prohibit, conditionally or unconditionally,
3 and permanently or for such period of time as it shall de-
4 termine, any person who has violated section 10(b) of this
5 title or the rules or regulations thereunder from acting as
6 an officer or director of any issuer that has a class of secu-
7 rities registered pursuant to section 12 of this title or that
8 is required to file reports pursuant to section 15(d) of this
9 title if the person's conduct demonstrates unfitness to
10 serve as an officer or director of any such issuer.”.

